when many farmers elected not to participate in 1978 and 1979 when acreage controls were used. In the future, as deficiency payments decline further in importance to farmers, reductions in the payment limitation should not have any detrimental effect on the effectiveness of commodity programs.

Elimination of Deficiency Payments

In the early 1960s, as described in Chapter II, U.S. policy began to shift away from high domestic price supports and rigid supply controls, allowing domestic commodity prices to adjust gradually to world price levels. Payments were made to grain and upland cotton producers to assist this adjustment. From the mid-1960s to the early 1970s, income payments--highly concentrated among the larger producers--averaged $3 billion annually and were an important part of crop producers' gross incomes. In crop year 1974, deficiency payments--based on differences between target prices and market prices—were authorized for wheat, feed grain, and upland cotton producers as a replacement for income payments not tied directly to market prices. Rice producers were authorized deficiency payments starting with the 1976 crop.

Since the 1974 crop year, deficiency payments have been made twice to wheat producers, once to corn producers, three times to other feed grain producers, and not at all to upland cotton producers. Rice producers received payments in crop years 1976 and 1978. Altogether, in crop years 1974 through 1980, about $2.5 billion of deficiency payments were made. And, as noted above, deficiency payments were highly concentrated and of small economic consequence to most producers. About two-thirds of the total went to wheat producers, one-quarter to feed grain producers, and one-tenth to rice producers.

In the 1980s, deficiency payments are projected to be smaller and less frequent than in the 1970s. Given the evolution of agricultural policy, deficiency payments have largely fulfilled their function, which was to achieve a smooth transition from an era of high income-support programs to one of competition in world markets. Farmers have demonstrated a willingness and ability to supply food and fiber at prevailing world prices, so that deficiency payments could now be eliminated without detriment to domestic agriculture. The farmer-owned reserve, crop loans, and acreage diversion payments could be used, if needed, to prevent large drops in crop farmers' incomes. It is estimated that elimination of deficiency payments would result in annual savings of $130 million in fiscal years 1983-1986 (Table 8).

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Target Prices and Farmer-Owned Reserve for Soybeans

Target price income protection and a farmer-owned reserve for soybeans have been proposed as a way to treat all producers of major crops more equitably. Although soybeans are the second largest U.S. cash crop, many producers have opposed commodity programs other than nonrecourse loans. As long as soybean target prices generally remained below market prices as projected for other crops, soybean deficiency payments would not be made. A soybean reserve program would cost about $75 million per year (Table 8).

Extension of Coverage of Deficiency Payments to Rice Producers

Similar equity arguments are made for extending the coverage of the existing rice program. Presently, only rice produced under allotments distributed before 1975 is eligible for price and income support programs. Since 1977, total rice acreage has increased to exceed the acreage allotment by nearly 70 percent. If all rice acreage was eligible for deficiency payments, price and income support would be afforded to all rice produced by farmers with allotments, and to new producers without historical allotments. This would increase the proportion of rice producers receiving price and income support and thereby encourage production increases. Additional federal costs would be about $80 million per year over the next several years (Table 8).

Conclusion: Selecting Current Policy Adjustments

In deciding upon modifications to current policy, the Congress will consider how each fits into the long-term trend toward a greater reliance on market forces and corresponds to changed circumstances in agriculture. Among the proposed options that best meet these considerations are adjustments in the farmer-owned reserve to reduce uncertainty arising from frequent changes in operating rules. With respect to income support, reductions in payment limitations would be consistent with policy directions for the 1980s, and the elimination of deficiency payments even more so. Clearly, full cost-of-production price and income supports would run counter to long-term trends; they would also increase taxpayer costs, add to inflationary pressures on farm production expenses, and hinder export growth.

CHAPTER IV. DAIRY PRICE SUPPORT ALTERNATIVES

Today's federal dairy price support system originated with the Agricultural Act of 1949, which aimed to ensure an adequate supply of milk for current and future U.S. consumers. Over the intervening decades, expenditures by the Commodity Credit Corporation (CCC) in supporting dairy prices have averaged $280 million a year. These taxpayer costs have been rising steeply in recent years, however, probably reaching $1.9 billion in fiscal year 1981. 1/ In fiscal year 1982 total expenditures for dairy price supports will reach an estimated $2.2 billion if current policy is continued.

The Food and Agriculture Act of 1977 (and Public Law 96-127) imposed a higher minimum level of price support than was authorized under the 1949 act. In addition, the 1977 act required the Secretary of Agriculture to adjust the support level semiannually. These two provisions--which have led to high price supports--expire on September 30, 1981, unless new legislation dicates otherwise. In this context, the key questions before this Congress are whether to lower dairy price supports or to adopt a different basis for setting such supports.

In deliberating about future dairy price support policy, the Congress will want to consider how effective the current policy has been in accomplishing its aims and whether the expenditures involved adequately and equitably benefit farmers, consumers, and taxpayers. Dairy price supports have been favored by their proponents as imparting a good measure of stability to farmers' incomes and to the prices consumers pay. On the other hand, such supports have been increasingly criticized as inflationary, inasmuch as they can raise dairy product prices to levels higher than they would be without regulation and, in so doing, can lead to surplus production.

To provide background for discussion of the dairy program, this chapter recapitulates past experience with dairy price supports and the mechanisms by which they have been administered. The middle section of

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1/ Taxpayer costs are estimated as net support outlays, that is, CCC purchases of manufactured dairy products and related costs, minus receipts from the sale of CCC-owned products. The CCC net support and related expenditures are equal to net support outlays minus transfers from the Food and Nutrition Service and P.L. 480 Title II programs. Over time, total federal expenditures, including those of the Food and Nutrition Service and P.L. 480 Title II programs, to acquire and dispose of surplus dairy products are similar to net support outlays.

the chapter briefly assesses the current situation and outlook. The closing portion of the chapter examines several alternative levels and methods of price support.

BACKGROUND--PROGRAM FUNCTIONS AND EFFECTS

Unlike the commodity programs discussed in earlier chapters, the dairy price support program combines the objectives of stabilizing product prices and supporting farmers' incomes. It pursues this dual aim by setting a floor, or minimum, under the market price of milk used in manufactured dairy products--that is, for butter, cheese, and the nonfat dry milk sold as such and used in various processed foods.

Under the original 1949 legislation, the Secretary of Agriculture was authorized to set a support price for milk at some level between 75 and 90 percent of its "parity price." (The parity price is the price, expressed in current dollars, that gives milk the same purchasing power per unit in terms of goods and services bought by farmers as prevailed in 1910-1914.) Current law sets the minimum support price for milk at 80 percent of the parity price at the beginning of the marketing year (October 1) and requires the Secretary to adjust the support price on April 1 to reflect changes in the Index of Prices Paid by Farmers. The government administers the law by supporting the price of milk used in manufactured dairy products--that is, the price of manufacturing-grade milk. When the support level for milk is at 80 percent, for example, the support price of manufacturing grade milk is set at 80 percent of its parity price equivalent. 2/ If the current law is

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2/ The parity price equivalent of manufacturing grade milk is calculated by multiplying the parity price of all milk by the parity equivalent factor. The parity price of all milk is computed as follows:

$$\frac{\text{Average price for all milk sold by farmers for the preceding 10 calendar years.}}{\text{Average index of prices received by farmers for all commodities for the preceding 10 calendar years, in relation to a 1910-1914 base period.}} \times \text{Index of prices paid by farmers for the previous month in relation to a 1910-1914 base period.}$$

The current parity price equivalent factor is 0.89. This figure was obtained by dividing the average price for manufacturing grade milk for the previous 10 calendar years by the average price for all milk sold for the previous 10 calendar years.

simply allowed to expire, the minimum level of price support will automatically revert to 75 percent of parity on October 1, 1981, in accordance with the 1949 law. The Reagan Administration's economic recovery plan, recently outlined, suggests a level of support at 75 percent of parity.

How Dairy Price Supports Involve Federal Expenditures

The support price for milk that is set by federal policy has a direct effect on federal expenditures, although it is a complex effect to trace. In particular, CCC purchases of manufactured dairy products, federal milk marketing orders, state milk control laws, and import regulations 3/ all interact in determining how federal expenditures will be driven by support prices, as sketched in the remainder of this section.

First, to support the price of manufacturing-grade milk, the CCC purchases butter, cheese, and nonfat dry milk. 4/ The CCC purchase prices relect the basic price support level plus an allowance for processing costs. The CCC disposes of its dairy products various in ways. Three-fourths go in the form of donations to domestic and foreign feeding programs. The remainder is divided among commercial sales at a level somewhat higher than the corporation's purchase prices, sales at competitive bid prices for restricted use, and noncommercial sales for restricted use. Commercial sales for unrestricted use are very small--less than 1 percent of total dispositions in recent years--and normally have little influence on commercial supplies and prices.

3/ Under the Trade Agreement Act of 1979, quota-free imports of "price break" cheese shipped to the United States were eliminated and cheese import quotas were expanded. Foreign nations are allowed to subsidize their cheese exports so long as the prices do not undercut prices of U.S.-produced cheese of similar types. Imported dairy products account for about 2 percent of U.S. consumption on a milk-equivalent basis.

4/ In any given year, the market price of manufacturing-grade milk may fall below the price support level, but on average it will equal or be higher than the support price. Temporary movements in the market price below the support price may occur in periods of surplus production if processors do not compete actively for milk supplies at CCC purchase prices.

In turn, the price of other dairy products is influenced by the price of manufacturing-grade milk. The price of milk designated for fluid consumption is set by federal milk marketing orders or state milk control laws. 5/ These are intended to assure consumers of adequate supplies of good-quality milk at reasonable prices, to improve incomes of dairy farmers, and to promote equality of bargaining between farmers and milk dealers. The price of fluid-grade milk sold under federal orders or state laws, and ultimately used in manufactured dairy products, is set at or slightly above the price of manufacturing-grade milk in Minnesota and Wisconsin. Since these two states produce more than one-half of the total U.S. production of manufacturing-grade milk, federal order prices for fluid-grade milk are heavily influenced by the CCC support price for manufacturing-grade milk.

Ultimately, federal expenditures for dairy programs are determined by the response of dairy farmers to prices for manufacturing-grade milk, which are supported directly by government policy, and to prices for fluid-grade milk, which depend on federal and state controls. Nevertheless, the dairy price support program directly influences the volume of CCC purchases and taxpayers' costs. For example, if the market price of manufacturing-grade milk is at the support level, an increase in the support price leads to a higher price for manufacturing-grade milk and to a higher price in federal order markets for fluid-grade milk. This causes dairy farmers to expand their milk output. But the higher price of milk and dairy products causes consumption to fall and leads to greater surpluses, larger CCC purchases, and higher federal outlays.

Historical Consequences of the Dairy Price Support Program

The dairy price support program has had three consequences for prices and incomes. First, it has raised prices at the farm level above what the long-run market equilibrium price would be without a support program. Second, the program has probably contributed to price stability. Third, it has brought about modest increases in retail dairy prices.

Enhanced Farm Prices. CCC purchases of manufactured dairy products have averaged 4 percent of annual milk production since 1949. A

5/ For further discussion of federal milk marketing orders and state milk control laws, see CBO, Consequences of Dairy Price Support Policy (March 1979).

study of the period 1950-1975 shows that milk prices paid to farmers would have averaged 7 percent less without a dairy price support program. 6/ This means that the program has probably increased the total net income of dairy farmers (at least temporarily), and that increases in net income were distributed among farms in proportion to cash receipts--the largest farms getting the most. More than likely, increases in net income have been capitalized into the value of farmland, providing a windfall benefit to landowners and ultimately causing the cost of producing milk to rise.

Price Stability. Under the dairy price support program, farmers have probably experienced less price and income variability than they would have without the program. Certainly, CCC purchases have prevented farm prices and incomes from dropping to extremely low levels in the spring and early summer months, leading to production shortfalls and high milk prices later on. Extremely wide price fluctuations tend over time to increase the degree of uncertainty in farmers' expectations. Uncertainty is not conducive to capital investment or the adoption of new production technology.

Taking all factors into consideration, it appears that a minimum level of CCC purchases--between 2 and 4 percent of annual milk production--may contribute to price stability. There is no evidence, however, that when CCC purchases rise above 4 percent of annual milk production, they result in greater price stability.

Retail Dairy Prices. One researcher has estimated that if there had been no dairy price supports in the 1950-1975 period, retail prices would have been 3 to 6 percent lower, and sales of dairy products 1 to 5 percent greater. 7/ Although they have faced slightly higher prices as a result of the dairy price support program, consumers have benefited from a fairly stable supply of dairy products.

PRICE SUPPORTS AND THE PRESENT DAIRY SITUATION

Dairy price supports appear to be leading to surpluses of dairy products. Running more than 5 percent above national average production costs, the supports have promoted expansion of dairy output. Favorable

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6/ James W. Gruebele, "Effects of Removing the Dairy Price-Support Program," Illinois Agricultural Economics (July 1978), p. 32. See also CBO, Consequences of Dairy Price Support Policy, pp. 17-20.

7/ Gruebele, "Effects of Removing the Dairy Price-Support Program," p. 35.

prices have encouraged farmers to enlarge their herds of dairy cows and to increase the average milk production per cow. In 1980, production rose more than 3 percent over that of the previous year. At the same time, however, consumption declined for a variety of reasons, chiefly the decline in consumers' disposable incomes, higher dairy product prices, and comparatively favorable prices for meat and poultry, which can be substituted for dairy foods. The result has been large and still-growing surpluses of dairy products.

CCC purchases, at a cost of $1.3 billion, equalled 7 percent of the nation's milk production last year; this was the highest level in nearly two decades. The CCC's current stocks of manufactured dairy products are more than two times expected dispositions.

Further rises in price support in fiscal year 1981 will cause this trend of overproduction and surplus to continue. Higher support prices may be slightly offset by increases in feed costs or higher market prices for "cull cows" (dairy cattle sold for slaughter), which may induce some dairy farmers to limit the size of their herds. But milk production for fiscal year 1981 is nonetheless projected to increase by another 3 percent or more. Even with increased consumption, CCC net support outlays will rise to $1.9 billion, and stocks will increase further.

POLICY ALTERNATIVES

Of the various approaches the Congress may consider in its deliberations about future levels and methods for dairy price supports, four are considered in this section:

- Continuation of current policy, with price supports at 80 percent of the parity price,
- Reversion to the 1949 statute, with supports at 75 percent of parity,
- Inverse indexation of a parity price support level to anticipated government purchases, and
- Market-oriented price supports.

The last of these four options represents the most radical departure from past and current practice, inasmuch as it would abandon the parity price concept as a mechanism for establishing support levels and would replace it with a technique more closely tied to actual market conditions.

Two Parity Price Support Options--Current Law and Reversion to 1949 Law

The two options for continuing to set support levels according to parity prices--at 80 percent (current law) and 75 percent (1949 law)--are essentially alike in the ways they would operate. The minimum support price would be set at the start of each marketing year, on October 1. Under current law, the price would still be adjusted six months later according to changes in the Index of Prices Paid by Farmers.

In some respects, the two options could have different effects on farmers, consumers, and the federal budget. They are therefore treated comparatively here, with data from the 1979-1980 period contrasted with projections for the 1981-1983 period (see Table 10). The past period was one of rapidly rising support prices, escalating dairy production, and unprecedentedly high federal outlays for government purchases. For the coming few years, similar circumstances are anticipated if current law is continued.

Effects on Producers. Under both options, the level of price supports would continue to rise in the near future. The results would be increased milk production, leading in turn to higher cash receipts for farmers. Total cash receipts would average $4.5 and $6.0 billion higher each year as compared to those of 1979-1980. If the 80 percent parity price support level were continued, annual net dairy farmers' income would rise by about 9 percent (in constant dollars); under a reversion to the 1949 legislation, it would remain at the 1979-1980 level.

Effects on Consumers. Higher farm prices for milk would lead to higher retail prices and higher consumer spending for dairy products in general. If current policy is retained, retail dairy prices would rise above the 1979-1980 level by about 30 percent; if price supports revert to the lower level, the rise in retail prices may not exceed 25 percent. Adjusted for inflation and compared to 1979-1980, retail prices would remain about the same under a reversion to the 1949 law and would rise about 5 percent under continuation of current policy. On a per capita basis, a continuation of current policy would cost consumers about $7 more annually than would a reversion to permanent law.

Effects on Taxpayers. If support levels reverted to 75 percent of parity, average CCC purchases—projected to total 6 percent of national milk production—would decline, but because purchase prices would still rise, net governmental support outlays would remain constant at their 1979-1980 level. By the end of 1983, however, CCC stocks might be nearly double the amount they were at the end of 1980 because of the amount by which

TABLE 10. COMPARISON OF CONTINUED DAIRY PRICE SUPPORT POLICY AND REVERSION TO 1949 LEGISLATION, 1979-1980 AND 1981-1983 (Annual average values)

	1979-1980	Projections for 1981-1983	
		Current Policy a/	Reversion to 1949 Law b/
Support Price (dollars per cwt.)	12.74	17.01	15.51
Effects on Farmers			
Milk Production (billions of lbs.)	128.90	134.70	132.10
Farm Price (dollars per cwt.)	13.38	17.37	16.58
Cash Receipts (billions of dollars)	17.00	23.00	21.50
Effects on Consumers			
Utilization (billions of lbs.)	120.00	123.20	124.70
Retail Dairy Product Prices c/	234.00	302.00	288.00
Consumer Expenditures (billions of dollars)	38.30	50.60	49.00
Effects on Taxpayers			
CCC Purchases (billions of lbs.)	9.10	11.70	7.40
Ending CCC Stocks (billions of lbs.)	11.00	28.30	21.40
Net Support Outlays (billions of dollars) c/	1.60	2.60	1.50

SOURCE: Congressional Budget Office projections based on simulations of the Wharton Dairy Model and discussions with Department of Agriculture and other analysts.

NOTE: For further details of this comparison, see Appendix A.

a/ This option assumes that the minimum support price for milk is set at 80 percent of its parity price on October 1, 1981, 1982, and 1983, and that the support price is adjusted six months later to reflect changes in prices paid by farmers.

b/ This option assumes that the minimum support price for milk is set at 75 percent of its parity price on October 1, 1981, 1982, and 1983.

c/ 1967=100

d/ Equal to CCC purchases and related costs less receipts from the sale of CCC-owned products.

purchases are expected to exceed dispositions. With supports held at 80 percent of parity, average net support outlays would increase by about $1 billion over 1979-1980 levels. Under a continuation of present policy, net support outlays would average $2.6 billion a year. Under a reversion to the old law, they would average $1.5 billion.

Policy Implications. Clearly, the choice between supporting dairy prices at either 80 or 75 percent of parity involves a variety of tradeoffs in the effects on farmers, consumers, and taxpayers. Maintaining the current level would benefit farmers, but at some considerable expense to consumers and taxpayers. Likewise, it would give further impetus to the upward momentum of rising dairy prices, overproduction, and excessive surpluses.

Conversely, reversion to the 75 percent of parity support level would improve the relative position of consumers and taxpayers, but at some cost to dairy producers. Costs to all taxpayers would decline by about $1.1 billion a year through 1983, and consumers would realize about a 3 percent saving. Furthermore, annual consumption (as measured by commercial disappearance) would rise by 1.2 percent. Farmers' cash receipts, however, would diminish by as much as 7 percent a year. Thus, the choice between these two options would depend on which of the objectives of dairy price support policy the Congress wished to foster for the future.

Market-Oriented Price Supports

One fundamental change the Congress could made to ensure an adequate supply of milk at minimum cost to taxpayers would be to move from parity pricing to price supports based on market supply and demand.

The parity price of milk is a purchasing-power concept. It does not measure the net income of dairy farmers, since the total values of inputs purchased and products sold are not taken into account. The total value of inputs and products sold changes over time as productivity changes, but increases in productivity are not fully reflected in calculating parity prices. In general, the parity price increases as the Index of Prices Paid by Farmers increases.

If the objective of government intervention is to stabilize milk supplies without excessive costs, then price supports could be substantially improved if they reflected productivity as well as prices. Although some conceptual and measurement problems arise, commodity-specific production costs are far more representative of actual costs and changes in productivity than is the Index of Prices Paid by Farmers used in calculating the

parity price. For example, in 1980, feed costs were 38 percent of the cost of producing milk. 8/ The relative importance of feed costs in the Index of Prices Paid by Farmers is only 10 percent.

One way of making price supports more responsive to the forces of supply and demand would be to give the Secretary of Agriculture discretion to set the level of price support in response to current market conditions. In particular, the Secretary might be required to review average milk production costs and expected government purchases to determine the level of support. This would allow a reasonable level of price and supply stability while reducing the likelihood of excessive government purchases.

Inverse Indexation of the Level of Price Support to Government Purchases

Proposals have been made to tie the level of price support to expected government purchases, and to vary it inversely with the amounts of those purchases. For example, if expected CCC purchases in marketing year 1981 were, say, 5 billion pounds (milk-equivalent basis) or more, the price support might be set at 75 percent of parity. On the other hand, if purchases were projected to be less than 2.5 billion pounds, the price support might be set at 80 percent of parity. Various formulas have been suggested, such as tying milk price supports to absolute levels of purchases or to purchases as a percent of milk production or marketings.

As compared to the option of reverting to permanent law, such indexing schemes would limit the Secretary of Agriculture's discretion to set the support price of milk. These proposals would generally result in price supports at 75 percent of parity during 1981-1983.

Conclusion

To the extent that price supports tend to stabilize milk prices and farm incomes, dairy farmers and consumers probably benefit from them. Without a price support program, though, would dairy prices be less stable? As mentioned above, historical evidence shows that price variability has been low to moderate when annual CCC purchases ranged between 2 and 4 percent of annual milk production. When CCC purchases exceeded

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8/ U.S. Senate, Committee on Agriculture, Nutrition and Forestry, 96:2, Costs of Producing Milk in the United States (July 1980), p. 6.

4 percent of commercial milk production, variability did not decrease. Under either of the first two parity price options considered above, CCC purchases would be far in excess of 4 percent.

The continuation of current policy over the next three years would increase farm milk prices and incomes at the expense of consumers and taxpayers. Data from past years indicate that the benefits to consumers would not be any greater than those that could be achieved with supports set at 75 percent of parity.

In accordance with the 1949 legislation, the Secretary of Agriculture has discretion to set the price support for milk between 75 and 90 percent of parity without making semiannual adjustments. Setting the price support at 75 percent of parity without semiannual adjustment on October 1, 1981, and keeping it at that parity level through September 1984 would maintain the incomes of dairy farmers near 1979-1980 levels (in constant dollars). It would also keep retail prices of dairy products (adjusted for inflation) close to current levels. Taxpayer costs would decline relative to 1980 but would still average $1.5 billion annually—four times the average costs of the 1970s. In brief, reverting to permanent law would result in a more flexible dairy price support program but would still lead to government purchases greater than the minimum level needed for stability.

To achieve reasonable price stabilization at minimum government costs requires a pricing policy that responds to the forces of supply and demand. Parity pricing of milk has resulted in milk prices that encourage surplus milk production at the expense of consumers and at high cost to taxpayers. In comparison, milk price supports set in response to supply and demand as reflected by milk production costs and expected government purchases could achieve stability at lower cost.

APPENDIX. ANNUAL PROJECTED VALUES FOR CONTINUATION OF CURRENT POLICY AND FOR 75 PERCENT OF PARITY WITHOUT SEMIANNUAL ADJUSTMENTS

TABLE A-1. CONTINUATION OF CURRENT POLICY OPTION—SUPPORT PRICE, MILK PRODUCTION AND MARKETING, FARM PRICES, AND TOTAL CASH RECEIPTS FROM SALE OF MILK, 1981-1983

	Marketing Year			Three-Year Average
	1981	1982	1983	
Support Price (dollars per cwt.)				
October 1	14.68	16.44	18.41	16.51
April 1	15.56	17.42	19.51	17.50
Milk Production (billions of lbs.)	132.9	134.9	136.3	134.7
Milk Marketing (billions of lbs.)	130.6	132.7	134.2	132.5
Farm Price (dollars per cwt.)				
Manufacturing-grade milk	14.60	16.40	18.40	16.47
All milk	15.50	17.30	19.30	17.37
Total Cash Receipts (billions of dollars)	20.2	23.0	25.9	23.0

TABLE A-2. CONTINUATION OF CURRENT POLICY OPTION—COMMERCIAL SUPPLY AND DISAPPEARANCE, COMMODITY CREDIT CORPORATION PURCHASES, RETAIL PRICES, AND CONSUMER EXPENDITURES, 1981-1983

	Marketing Year			Three-Year Average
	1981	1982	1983	
Commercial Supply (billions of lbs.)				
Beginning stocks	6.0	6.0	6.0	6.0
Milk marketings	129.9	132.0	133.5	131.8
Imports	2.4	2.4	2.4	2.4
Total	138.3	140.4	141.9	140.2
Commercial Disappearance (billions of lbs.)	122.0	123.2	124.4	123.2
Market Residual (billions of lbs.)				
Ending stocks	6.0	6.0	6.0	6.0
CCC purchases	11.0	11.9	12.2	11.7
Retail Price Index for Dairy Products (1967=100)	272	300	332	302
Consumer Expenditures (billions of dollars)	45.1	50.5	56.6	50.6

TABLE A-3. CONTINUATION OF CURRENT POLICY OPTION—COMMODITY CREDIT CORPORATION PURCHASES, DISPOSITION, STOCKS, AND DOLLAR OUTLAYS, 1981-1983

	Marketing Year			Three-Year Average
	1981	1982	1983	
Government Supply (billions of lbs.)				
Beginning CCC stocks	14.0	20.3	27.5	20.6
CCC purchases	11.0	11.9	12.2	11.7
Total	25.0	32.2	39.7	32.3
Government Utilization (billions of lbs.)				
CCC disposition	4.0	4.0	4.0	4.0
Ending CCC stocks	21.0	28.2	35.7	28.3
Total	25.0	32.2	39.7	32.3
Net Support Outlays (millions of dollars) a/	2,175	2,650	3,040	2,622
Support and Related Expenditures (millions of dollars) b/	1,875	2,350	2,740	2,322

a/ Net support outlays are equal to CCC purchases of dairy products and related costs (processing packaging, transporting, and storing) less receipts from sale to buyers for domestic use and exports, military agencies, foreign governments, and Section 32 programs.

b/ Support and related expenditures are equal to net support outlays less transfers from the Food and Nutrition Service for products used in domestic feeding programs and from Title II of Public Law 480 for products donated abroad.

TABLE A-4. 75 PERCENT OF PARITY OPTION—SUPPORT PRICE, MILK PRODUCTION AND MARKETING, FARM PRICES, AND TOTAL CASH RECEIPTS FROM SALE OF MILK, 1981-1983

	Marketing Year			Three-Year Average
	1981	1982	1983	
Support Price (dollars per cwt.)	14.00	15.41	17.25	15.55
Milk Production (billions of lbs.)	131.4	132.1	132.7	132.1
Milk Marketing (billions of lbs.)	129.1	129.9	130.6	130.0
Farm Price (dollars per cwt.)				
Manufacturing-grade milk	13.95	15.60	17.50	15.68
All milk	14.85	16.50	18.40	16.58
Total Cash Receipts (billions of dollars)	19.2	21.4	24.0	21.5

TABLE A-5. 75 PERCENT OF PARITY OPTION—COMMERCIAL SUPPLY AND DISAPPEARANCE, COMMODITY CREDIT CORPORATION PURCHASES, RETAIL PRICES, AND CONSUMER EXPENDITURES, 1981-1983

	Marketing Year			Three-Year Average
	1981	1982	1983	
Commercial Supply (billions of lbs.)				
Beginning stocks	6.0	6.0	6.2	6.1
Milk marketings	129.1	129.9	130.6	130.0
Imports	2.4	2.4	2.4	2.4
Total	137.5	138.3	139.2	138.5
Commercial Disappearance (billions of lbs.)	123.2	124.8	126.2	124.7
Market Residual (billions of lbs.)				
Ending stocks	6.0	6.2	6.4	6.2
CCC purchases	8.3	7.3	6.6	7.4
Retail Price Index for Dairy Products (1967=100)	260	287	317	288
Consumer Expenditures (billions of dollars)	43.4	48.8	54.8	49.0

TABLE A-6. 75 PERCENT OF PARITY OPTION--COMMODITY CREDIT CORPORATION PURCHASES, DISPOSITION, STOCKS, AND DOLLAR OUTLAYS, 1981-1983

	Marketing Year			Three-Year Average
	1981	1982	1983	
Government Supply (billions of lbs.)				
Beginning CCC stocks	14.0	18.3	21.6	18.0
CCC purchases	8.3	7.3	6.6	7.4
Total	22.3	25.6	28.2	25.4
Government Utilization (billions of lbs.)				
CCC disposition	4.0	4.0	4.0	4.0
Ending CCC stocks	18.3	21.6	24.2	21.4
Total	22.3	25.6	28.2	25.4
Net Support Outlays (millions of dollars) a/	1,500	1,450	1,480	1,475
Support and Related Expenditures (millions of dollars) b/	1,200	1,150	1,180	1,175

a/ Net support outlays are equal to CCC purchases of dairy products and related costs (processing packaging, transporting, and storing) less receipts from sale to buyers for domestic use and exports, military agencies, foreign governments, and Section 32 programs.

b/ Support and related expenditures are equal to net support outlays less transfers from the Food and Nutrition Service for products used in domestic feeding programs and from Title II of Public Law 480 for products donated abroad.

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